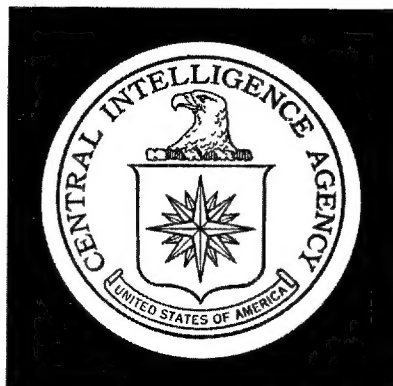


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(13 February - 19 February 1967)

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I. POLITICAL SITUATION

The Constituent Assembly has apparently satisfied some of the military leaders' major objections by deleting or modifying controversial legislative powers in the constitution. Prior to the assembly's action, one ranking military official reportedly expressed satisfaction with the status of relations between the military government and the assembly. Premier Ky and Chief of State Thieu are continuing to cause speculation in military and civilian circles over their respective presidential ambitions.

Constituent Assembly Developments

1. The Constituent Assembly reconvened on 14 February after a ten-day Tet holiday break, and immediately began to debate provisions dealing with the powers of the future government's legislature. In subsequent sessions, the assembly deleted or modified controversial legislative powers which were proposed in its working draft.

2. Specifically, the assembly omitted all references to the exercise of emergency powers by the legislature, thus apparently reserving this function solely for the executive branch. In addition, it stiffened considerably the requirements necessary for the legislature to dismiss the prime minister and/or the cabinet. In this regard, the assembly approved a provision which states that the legislature can recommend the replacement of all or part of the cabinet and the prime minister by a two-thirds majority vote of both houses. If the president fails to act on the recommendation, then the provision empowers the legislature to pass a binding motion of dismissal by a three-quarters majority in both houses, a majority which in practice will undoubtedly prove very difficult to attain. By way of contrast, there had at one time been some discussion of authorizing the legislature to dismiss individual ministers by only an absolute majority, and to dismiss the entire cabinet by only a two-thirds majority.

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3. Other powers which were awarded the legislature include voting legislation, ratifying international treaties and agreements, and determining declarations of war and the holding of peace talks. The future legislature will validate the election of its representatives and senators, and is also empowered to request the prime minister or other government officials to appear before the legislature or legislative investigating committees to answer questions regarding government policy.

4. The assembly completed its adoption of the chapter dealing with the legislative branch on 16 February, after a final debate on the procedure for the passage of legislation. Discussion on this section, Articles 42 through 44, was somewhat heated, primarily because of the efforts of some deputies including Dai Viet party members to limit the power of the upper house--which, they felt, would prove more susceptible than the lower house to executive pressure. As finally approved, the articles reflect a compromise which gives the lower house a greater voice in the process subject to some checks by the upper house.

5. Article 42 permits either house, or the president, to introduce bills to the lower house, which then transmits a bill with its approval or rejection to the upper house. If the upper house does not vote concurrence, it resubmits the bill to the lower house, which must vote final action by a two-thirds majority; failing such a majority, the action taken by the upper house stands. Article 43 stipulates that bills are transmitted to the president for promulgation within 15 days, or seven if certified urgent; if the president takes no action in the specified time, the bill automatically becomes law and is promulgated by the chairman of the upper house. Although Article 44 gives the president the right to return bills, or portions thereof, for reconsideration, the president's power of veto can be overruled by an absolute majority of the total membership of both houses, meeting jointly.

6. Assembly discussion and approval of sections of the executive chapter have so far been limited to articles dealing with the terms of office, qualifications, and procedures for the election of the president

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and vice president. Although some effort was made by southern deputies to set a minimum age qualification of 40, an article setting the minimum age at 35 was approved by a vote of 61 to 22. This article effectively ensures the eligibility for the presidency of Premier Ky, who is reported by a Dai Viet assemblyman to have recently exerted pressure so that he would not be "defeated in the first round."

7. The assembly now has about 30 working days before 27 March, its deadline for completing the constitution.

GVN-Assembly Relations

8. As yet, there have been no reports of a definite response or comments by government leaders regarding the recent compromises struck by the assembly on legislative powers. However, US officials in Saigon as well as various assemblymen are inclined to feel that the changes made by the assembly should satisfy military members of the ruling Directorate who had objected to what they considered the overly powerful legislature outlined in the assembly's initial working draft.

9. Before the assembly's action on the provisions dealing with legislative powers, Information Minister General Tri reportedly told an assembly official that the government was pleased with its relations with the assembly, and that it could now count on the "friendship" of about 80 of the 117 assemblymen. General Tri reportedly stated that disagreements remaining between the assembly and the government could be worked out through mutual cooperation. Tri declared that the government was willing to see the assembly act as an interim legislature in the future government if the assembly supported GVN policies and was "reasonable" in working out remaining areas of contention in the constitution. Tri indicated that, in such circumstances, the presidential and senatorial elections could be scheduled at the same time, but that the election for the lower legislative house could then be postponed for awhile to allow the constituent assembly to fill this role temporarily.

10. Directorate chairman and Chief of State General Thieu is reported to have approached a Dai Viet party deputy twice in early February to urge assembly cooperation with the Directorate's views. In particular, Thieu

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sought to avoid any rigid constitutional requirement for the election of province chiefs, but he also suggested the creation of a military advisory board in the new government. According to the source of this report, Thieu indicated that he would promulgate the constitution as approved by the assembly, but warned that if the proper safeguards for future stability were not incorporated, the military might be forced to intervene and assume power if trouble arises.

Thieu's Remarks on Civilian-Military Cooperation

11. During an informal Tet holiday address to some 500 military men and civilians, General Thieu also commented on civilian-military cooperation. Thieu seemed to be implying that he did not necessarily feel that a military man had to become president when he declared that the "future government does not have to have a military president or prime minister before military/civilian cooperation can be demonstrated." However, it is more than likely that the army has not yet reached a firm decision on this question, and that General Thieu, by appearing reasonable and open minded, is in the meantime attempting to boost civilian-military relationships. At the same time, Thieu's remarks seem to make it clear that the military feel that, in some form, they must have a strong voice in the new government.

Presidential Campaigning

12. Premier Ky, meanwhile, is indicating increasing determination to become the candidate of the military for the future presidency. [REDACTED]

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[REDACTED] Ky has replaced his former special assistant Dinh Trinh Chinh--appointed ambassador to Thailand --with Nguyen Huu Chi, former Quang Nam Province chief, and has further designated Chi as his campaign manager. Chi reportedly has been asked to scout about for a vice president and premier for Ky's ticket, and to see what new province chiefs might be appointed to help Ky's election. Ky has also let it be known that he would like to visit the US in April, apparently by accepting an invitation to address a press club meeting in New York; another of Chi's tasks would be to provide maximum press coverage in Vietnam for such a trip.

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13. Although Ky is alleged to have told Chi that he is confident of enough Directorate support to persuade Thieu to bow out as the other leading military presidential hopeful, another source has cited Information Minister Tri as claiming that several ranking officers believe Thieu's desires should have priority. In conversation with a US Embassy officer, Vo Long Trieu, a southerner who left Ky's cabinet and who is supporting former civilian premier Tran Van Huong for the presidency, characterized Ky and Thieu as eyeing each other for the top job in the next government "like a pair of fighting cocks before combat." Trieu, who made possibly exaggerated claims of support for Huong's candidacy among a variety of groups, indicated that he hoped Ky would eventually withdraw and team up with Huong; however, he noted an alleged remark by Thieu that he would defer to Ky rather than split the military over the issue. In this context, Trieu commented that he felt that no civilian government could govern effectively without military support, and that future stability would require military unity.

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II. REVOLUTIONARY DEVELOPMENT

The established 1966 goals for securing hamlets and population were not realistic and therefore not obtainable; however, the 1967 goals appear generally attainable and considerable training and preparation efforts are under way to ensure greater progress. Over 600 RD cadres were killed in action during 1966.

The Australians have decided to increase their civilian financial aid to Vietnam by 70 percent during 1967.

Progress in education continues--the hamlet school program completed its most successful year in 1966 and survey teams from the US are assisting the GVN in educational development. Although the GVN's 1967 Vocational Education budget was cut heavily, this may not affect basic activities.

There has been significant activity in connection with the refugee situation in at least eight provinces during late 1966 and early 1967. (See the map at the end of the Annex.)

The high rate of Chieu Hoi returnees, begun in September 1966, continues; the total reported for 1 January - 11 February is 3,465.

Developments in the RD Program

1. The goals established by the government for securing hamlets and population in 1966 were overly ambitious and, therefore, were unobtainable. As the Revolutionary Development program was put into practice, the Ministry of Revolutionary Development (MORD) found it necessary to make numerous revisions, involving training, organization, and, in effect, the entire government structure.

2. During 1966, 552 hamlets were "secured," less than a third of the 1966 goals. However, the

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figure appears to reflect fairly honest reporting of accomplishments by GVN officials, despite the fact that, as 1966 came to an end, several provincial officials, in order to give a better than warranted impression, tried prematurely to upgrade to "secured" status many hamlets in which RD cadres had worked.

3. About one third of all hamlets in the country are now "secured" hamlets, but this does not necessarily mean that the hamlets meet the new eleven-point criteria for inclusion as Ap Doi Moi or "Real New Life Hamlets." The aggregate "secured" population is approximately 8.7 million out of an estimated 16.5 million population base. The ultimate RD goal is to secure all hamlets in the country, currently numbering 11,250, although this total has been increasing due to the formation of new hamlets in existing populated areas.

4. The GVN 1967 plan envisions an RD effort in 1,100 hamlets. The population in these hamlets is approximately 1.4 million. More effective use of GVN assets in the 1967 program should be aided by the reorganization in late 1966 of the US mission's resources to establish an integrated, inter-agency approach, through the Office of Civil Operations (OCO).

5. A joint working group has produced a combined MACV/Joint General Staff (JGS/RVNAF) directive that requires the preparation of sector--province--security plans. The directive, already signed by General Westmoreland, is at the JGS for General Vien's signature, and is expected to be published shortly. The sector security plans are designed to provide coordinated military support to provincial RD activities.

6. Motivation of RD cadres is a problem requiring continued attention in 1967. Under earlier cadre programs, it was easier to motivate participants because of the smaller number of cadres involved and the relative lack of publicity, but rapid expansion of the RD cadres has brought problems of quality and indoctrination. If true dedication to "revolutionary" ideas is to be inculcated into participants, candidates for the program should

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not include draft dodgers or military deserters and psychological indoctrination must be geared to dissolve the detached, uncommitted attitude of the general populace. So far, the GVN has not shown the skill of the Viet Cong in mobilizing people, chiefly through indoctrination, to work in their counterpart of the RD program. On the other hand, the Communists have been engaged in indoctrination activity far longer than has the GVN Ministry of Revolutionary Development.

7. On 29 December 1966 a seminar was held at Dalat to discuss the application of the eleven-point criteria for Ap Doi Moi ("Real New Life Hamlets"). Over 1,254 government personnel, including most province chiefs and mayors of autonomous cities, attended the seminar, which was presided over by Prime Minister Ky, Chief of State Thieu, and RD Minister General Thang. The three senior GVN officials exhorted their comrades to put forth a greater effort to achieve 1967 goals. Several recent innovations which were explained at the conference were: 1) the national payroll system--designed to gain tighter financial control of cadre operations, 2) the RD Cadre inspection system--designed to ensure better operational direction of groups in the field, 3) Peoples Self Defense Forces--hamlet militia groups to be set up, trained and equipped by RD cadres where necessary, and 4) the new eleven-point criteria.

8. To ensure that the RD ministry (MORD) receives at least two years' service from individuals recruited into the cadre program, persons of 19 and 20 years of age--who may be subject to the draft after 1967--will not be recruited. Problems envisaged as a result of the army's apparent intent to draft cadres whose service ineligibility was about to expire have been temporarily averted by coordination between MORD, JGS, and OCO.

RD Cadre Casualties for 1966

9. Statistics for 1966 show that 593 RD cadres were killed and 75 captured, and that at least 86 were discharged, 696 resigned, and 603 deserted. In the Census Grievance program, seven cadres were killed, two captured, 59 resigned, and four deserted.

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Free World Assistance

10. The Australian cabinet has reportedly decided to increase civilian aid to Vietnam during the 1967 fiscal year by 70 percent, providing an additional 1.8 million dollars (US). The funds will be directed into programs already under way including textbook printing, civic action, and road building machinery and into new projects to include medical equipment, a water supply system for the city of Can Tho, and equipment for refugee resettlement centers.

Progress in Education

11. The hamlet school program completed its most successful year in 1966 with the construction of 2,087 classrooms and the training of 3,428 teachers. The teachers are apparently being retained within the Ministry of Education and dispatched to rural schools.

12. In January 1967, an agricultural education survey team from the University of Florida arrived in South Vietnam to examine existing agricultural training programs and to assist the GVN in planning future educational development in this field. During the same period, a higher education survey team from Wisconsin State University has been evaluating, and providing guidelines and priorities to the Universities of Saigon, Hue, and Can Tho. A team from Ohio University has been in Vietnam for several months and, in conjunction with JUSPAO, has developed and distributed approximately 20,000 Basic Food Grouping Charts to elementary and secondary schools. Joint cooperation between these two groups has resulted in the development of a Vietnamese-language general business textbook which is being used in pilot projects in the Thu Duc demonstration school and the National Wards School.

13. The GVN 1967 budget request for vocational education was reduced by 45 percent, allowing only 134 million piasters for salaries, operating expenses, equipment and student allowances. In spite of cuts in budget requests, all unfurnished Junior Technical Schools (formerly Rural Trade Schools) are expected to be completed by 1 July or, in case of

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construction material shortages, no later than the end of the year. Plans for the new Petrus Ky Technical School in Saigon envision an 86,000-square-meter complex with school buildings and dormitories. The Ban Me Thuot Technical School, by utilizing masonry and carpentry trainees, is completing the construction of new housing on the school grounds.

14. An interesting sidelight, which reflects the traditional emphasis by the Vietnamese on learning and the desire for the education of their children, is the voluntary financial contributions from parents in Vinh Long Province for the construction of a public high school.

Recent Developments in the Refugee Situation

15. Dr. Nguyen Phuc Que, the Special Commissioner for Refugees, and General Nguyen Duc Thang, Commissioner General of Revolutionary Development, have agreed in principle that refugees who return to their villages of origin become the responsibility of the Ministry of Revolutionary Development (MORD) and not the Special Commissariat for Refugees (SCR).

16. In anticipation of further mass evacuations of persons such as occurred in the CEDAR FALLS Operation, and to alleviate excessive demands on SCR supply channels, Dr. Que has directed the SCR to begin to stockpile commodities which are normally in short supply--such as rice sacks. Dr. Que has also been contemplating the establishment of a refugee resettlement hamlet on the edge of the Boi Loi forest in Hau Nghia Province. It is anticipated that a well-constructed settlement, adequately furnished with facilities, would have a significant psychological impact on the Viet Cong. The Boi Loi forest, a long-time Viet Cong redoubt, has been subjected to intensive saturation bombing and incursions by allied forces. The security of the proposed refugee hamlet would be provided by Popular Forces and a nearby Ranger Training School.

17. At the request of the Highlanders Affairs Adviser of the Office of Civil Operations, members of Dr. Que's staff will provide technical assistance in the resettlement of montagnard members of FULRO, the highland autonomy movement, in Darlac Province.

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18. There are encouraging signs that refugees are receiving more opportunities for vocational training. Three additional Junior Technical Schools (formerly Rural Trade Schools) functioning under the Ministry of Education are now offering instruction to refugees; this brings the total to nine. The SCR is funding approximately 100 students at each of the three new schools. The students will take a three-month course in a field of their choice. The Vietnamese army has promised the SCR that it will begin to accept refugees for training in mechanical skills at the ARVN training center in Saigon. Graduates of this three-month course will be granted employment at ARVN's Material Services Division and will be entitled to all benefits of civil servants. The Ministry of Labor and the SCR are discussing ways in which the Labor Ministry can assist in vocational training.

19. Several international relief agencies have evidenced interest in establishing or expanding programs in South Vietnam. The Community Development Foundation, a voluntary agency based in the United States, has concluded an agreement with the SCR to establish and operate a refugee welfare training program at Qui Nhon, Binh Dinh Province. Their goal is to train 120 students in a two-month program and to use these students in establishing 12 mobile teams of 10 specialists who will work on a country-wide basis in the refugee program. Training cadres are expected to come from the US, Greece, and South Korea.

20. The chairman of the Refugee Commission of the International Council of Voluntary Agencies and the legal counsel of the American Joint Distribution Committee visited Vietnam in January 1967. The purpose of their visit was to advise the Council of Foreign Voluntary Agencies in Vietnam on the establishment of a salaried executive secretariat and to explore areas of need relative to further voluntary agency participation. The League of Red Cross Societies has advised the Red Cross Society of South Vietnam that it sent an appeal to 24 national societies asking for supplies for 50,000 refugee families and for teams to work in refugee centers. It is not yet known which countries, if any, responded to the appeal.

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21. Encouraging progress in establishing a refugee-operated sawmill in Quang Tri Province has been made. A management committee has been established by the SCR to supervise the project, in which refugees will provide the labor to operate the mill as well as cut the vast stands of timber available in the province. The machinery is being provided by USAID. West Germany, in cooperation with the International Rescue Committee, will provide a three-man team to instruct in mill operation as well as to organize a local crafts industry to make use of the wood. To fill the gap until the arrival of the joint team, General Tobias, the commanding general of the Philippine Civic Action Group, will furnish six persons to instruct the refugees in operation and maintenance.

22. In Pleiku Province, an "Edap Enang" Plan--which calls for the relocation of 2,500 montagnard families from insecure areas near the Cambodian border to five resettlement sites--is under way. The new sites have been selected and construction of schools, dispensaries, wells, and administrative centers is about to begin. Another montagnard resettlement took place in Phuoc Long Province when ARVN forces evacuated an estimated 920 people from Viet Cong control. ARVN also removed 20 tons of rice belonging to these people.

23. In Thanh Binh district, Binh Tuy Province, a group of 2,000 Vietnamese who moved to the area from North Vietnam in 1954 have petitioned the SCR for assistance. Their area, although fertile, is accessible only by air, and the people are suffering from severe dietary deficiencies and malaria. Promises of medical aid have been given by Korean and MEDCAP teams, and projected area development plans include land clearance, housing improvement, and the locating of a Special Forces camp in the village to improve security.

24. In Quang Tin and Thua Thien provinces, fewer refugees were generated in January than in previous months and resettlement programs showed net gains. These provinces are attempting to develop a uniform policy defining the period of time and support given to people having refugee status.

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25. Serious problems exist in Quang Nam Province where provincial officials are unable to cope with refugee problems, especially in outlying districts away from Da Nang. Most of the support for the 137,000 refugees has been directly furnished by USAID and the US military, but such support has often been given in quick reaction to refugee needs without first notifying GVN officials. The "zealousness" of US officials in this and some other programs in Quang Nam has caused many Vietnamese officials to take a passive attitude toward programs they are supposed to implement.

26. Accidental fires in refugee centers left 159 families homeless in Quang Nam Province and 85 families homeless in Phuoc Long Province. USAID provided immediate support to the stricken people and plans are under way to rebuild their homes.

27. The Viet Cong conducted forays against refugee resettlement areas on 3 and 5 February. On 3 February the Truc Dua center in Binh Dinh Province was attacked by a company of Viet Cong, who killed six persons and destroyed four houses. On 5 February a Viet Cong company destroyed the 200 houses in the Ca Lui refugee center in Phu Bon Province when a montagnard hamlet chief refused to obey a Viet Cong order that he and his people return to their original hamlet. However, none of the refugees suffered any casualties. Reports do not indicate whether any GVN security forces were in the area. Supplies have been provided to these people and the reconstruction of their homes is under way.

28. One of the biggest resettlement projects to date has been occurring over the past year in Phu Yen Province. Recently, Republic of Korea troops uprooted approximately 16,000 villagers--almost all of whom were families of Viet Cong soldiers--from about 20 villages in northern Phu Yen and consolidated them into five villages. In so doing, Korean forces opened up Highway #1 along the coast allowing truck traffic to flow between Tuy Hoa, the province capital, and Qui Nhon, capital of adjacent Binh Dinh Province.

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Chieu Hoi Statistics

29. The high monthly rate of Chieu Hoi returnees, a trend which began in September 1966, continues. The total input into the centers for the period 1 January - 11 February was 3,465, as compared with 1,822 for the same period in 1966. If this trend of 2,000 a month keeps up, approximately 30,000 persons can be expected to rally in 1967.

30. A breakdown of the returnees for the week 29 January - 4 February follows:

I Corps	41
II Corps	216
III Corps	177
IV Corps	<u>147</u>
Total	581 (364 military)

31. South Vietnam's Ministry of Information and Chieu Hoi has reported that 612 Viet Cong rallied in the period 5 - 11 February. Of the week's total, 388 were listed as military returnees. Although it is not yet known how many rallied in direct response to the major psychological campaign in connection with Tet, there were no significant military contacts last week which could have accounted for the continuing high rate of defections. The breakdown for the week follows:

I Corps	64
II Corps	200
III Corps	181
IV Corps	<u>167</u>
Total	612 (388 military)

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III. ECONOMIC SITUATION

Prices of both domestic and imported commodities in Saigon were generally unchanged during the week ending 6 February as pre-Tet buying was largely completed. The major exception was rice, the price of which continued to rise for the sixth consecutive week. No significant fluctuations were noted in free market gold and currency prices.

As a result of a recent action by the National Bank of Vietnam (NBVN), the liquidity of the commercial banks has been sharply reduced and they have appealed to the NBVN to liberalize credit.

During December provincial prices were relatively steady in three of the four regions of South Vietnam. In Region I transportation difficulties caused by the monsoon rains resulted in generally higher prices.

The production and export of rubber declined sharply in 1966.

Prices

1. Retail prices in Saigon were generally unchanged during the week ending 6 February as pre-Tet buying was largely completed. According to the USAID price index, prices were about one percent above the previous week with both food and non-food items sharing in the gain. The prices of pork, vegetables, shrimp, milk and sugar were either unchanged or lower. Rice prices, however, continued to increase. On 6 February the price of the type of rice used by the working class was 21.5 piasters per kilogram--another new high. In view of this situation, the GVN finally dispatched a delegation to Bangkok to arrange for the purchase of Thai rice.

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The price of certain services, such as haircuts and cyclofares, also rose in response to last-minute preparations for the holidays. (A table of weekly retail prices is included in the Annex).

2. For the first time in nine weeks, the prices of imported commodities were unchanged as measured by the USAID price index for selected US-financed imports. The most significant price movements were recorded by cement and condensed milk. The price of the former continued to rise because of low stocks, whereas the price of the latter declined as a result of abundant supply. Prices of most other imported goods were generally unchanged.

Currency and Gold

3. On 6 February the free market rates for dollars and MPC (scrip) were 173 and 111 piasters per dollar, respectively--each one piaster below the previous week. The slight decline in the price of dollars was attributed to the normal increased Tet demand for piasters. Gold moved up one piaster to 224 piasters per dollar. (A graphic on monthly and weekly free market gold and currency prices is included in the Annex).

Credit Problems

4. On 25 January the National Bank of Vietnam (NBVN) began debiting the commercial banks for overdue payments on US-financed imports. Since the devaluation last June, commercial banks have been able to delay these payments beyond normal terms with the result that a float of about three billion piasters in favor of the banks had accumulated. This situation resulted from delayed billing by the NBVN, which had been receiving letters of payment on US-financed goods several months late because of a mix-up in paperwork. The commercial banks, on the other hand, had been receiving letters of payment immediately and had extended credit to the importers when the goods arrived. Moreover, in many cases, the banks had been repaid by the importers. Normally, the banks would have made payment to the NBVN, which would have drawn down the loanable funds of the bank. The mix-up has now been corrected,

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however, and letters of payment are being forwarded by air to the NBVN, which has begun to demand payment from the commercial banks. The action in January by the NBVN drew down the float by about one billion piasters and the NBVN has said that it may continue reducing the float after Tet. As a result, the commercial banks have found their liquidity sharply reduced and have appealed to the NBVN to authorize liberalization of credit through changes in reserve requirements and other measures.

Rubber Production and Exports

5. The production and export of rubber continued to decline in 1966. During the first 11 months of 1966, production amounted to about 40,000 metric tons, or roughly 30 percent below the level produced during the corresponding period of 1965 and 33 percent below the January-November average during 1961-64. Exports during 1966 totaled 44,000 metric tons compared with 62,000 tons in 1965 and an annual average of 75,000 tons during the previous four years. This decline in exports results not only from lower production but also from difficulties in transporting the rubber to Saigon from the plantations. The average monthly level of stocks at the large plantations during the first nine months of 1966 was more than 55 percent about the level during the corresponding period of 1965.

Provincial Economic Developments in December

6. In Region I, transportation difficulties caused by the monsoon rains resulted in diminished supplies of commodities and generally higher prices during December. Prices of staple foods in Quang Nam Province, for example, rose 10 to 15 percent as a result of the rains and floods. Prices of foodstuffs also increased significantly in Quang Tri Province. Flood damage in Thua Thien Province destroyed vegetable crops, resulting in a shortage of fresh vegetables in local markets. In some areas, such as Da Nang and Quang Ngai Province, higher prices were occasioned by increased holiday buying.

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7. Prices in Region II remained relatively stable except in Pleiku and Ninh Thuan provinces where prices rose sharply. Higher prices in Ninh Thuan Province stemmed from road deterioration, insecurity on routes south of the provincial capital, and Viet Cong taxation of truck traffic. The inflationary trend in Cam Ranh city showed no sign of abating during December as demand continued to exceed supply because of the full employment situation. As in Region I, unfavorable weather conditions also had an adverse effect on economic activities in some parts of Region II. In Darlac Province, for example, an estimated 60 percent of the rice crop was lost because of a lack of rain during the past growing season. Turbulent weather conditions in Khanh Hoa Province at the beginning of December resulted in a reduced supply of fish and higher prices for this commodity. Prices in Quang Duc Province declined as a result of the opening of Route 14 from Darlac Province.

8. With the exception of Long Khanh Province, prices in Region III also remained relatively stable. The inflationary trend observed in Long Khanh Province in November continued during December as successful harvests and nearly full employment put more piasters in the hands of consumers. These inflationary pressures were expected to intensify with the distribution of nine million piasters of resettlement allowances to refugees in two provincial districts. In Binh Duong Province higher prices and improved access to markets have provided incentives to farmers to increase production of hogs, poultry and other cash crops. An apparent drifting of defoliant in Tay Ninh Province has resulted in crop damage that will have an adverse effect on prices of foodstuffs which are already high in this province.

9. Economic activity throughout Region IV was spurred by the combined effects of the harvest, the holiday season and, in some provinces, by anticipation of the arrival of US troops. Prices of foodstuffs, however, leveled off in most delta provinces. The only unfavorable trend noted in the economic situation was a continuation of increasing prices for construction materials. In Ba

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Xuyen Province, for example, the prices of sand, gravel and lumber were ten to 15 percent above those of the previous month. Prices of building materials also increased in An Xuyen and Chuong Thien provinces where local merchants and contractors appeared to be hoarding supplies in order to make a gain from the US troop buildup.

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ANNEX

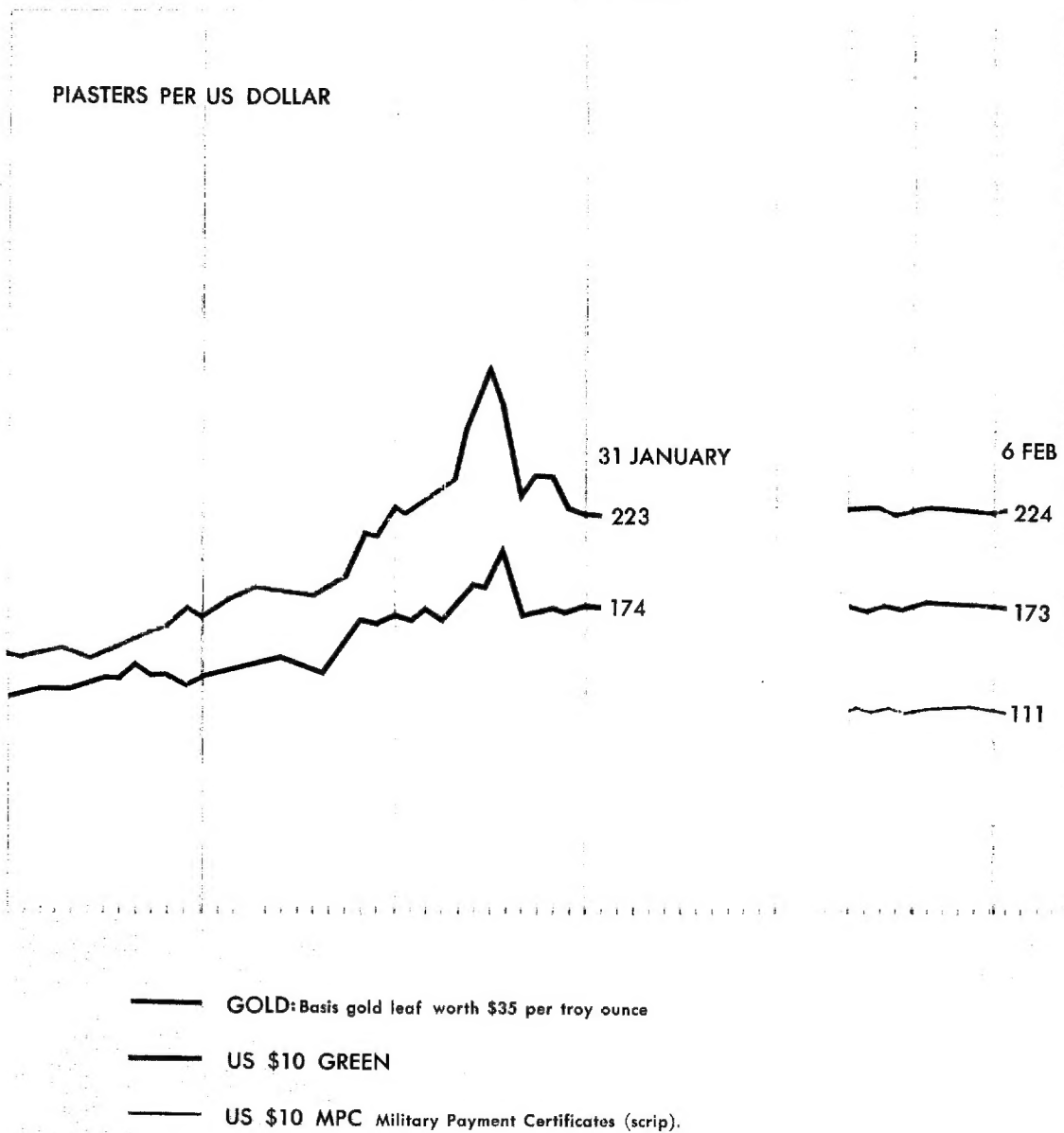
TABLE
Weekly Retail Prices in Saigon a/

	13 June 1966 b/	16 Aug. 1966 b/	16 Jan. 1967	23 Jan. 1967	30 Jan. 1967	6 Feb. 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>239</u>	<u>247</u>	<u>254</u>	<u>259</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>257</u>	<u>269</u>	<u>281</u>	<u>282</u> c/
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,450	1,900	2,000	2,100	2,150
Pork Bellies (1 kg.)	90	100	130	150	150	150
Fish-Ca Tre (1 kg.)	130	170	160	160	180	180
Nuoc Mam (jar)	70	85	120	120	120	120
Index for Non-Food Items	<u>140</u>	<u>190</u>	<u>204</u>	<u>205</u>	<u>204</u>	<u>N.A.</u>
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	600	700	710	680	700
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	32	31	31	30
Electricity (kwh)	4.2	N.A.	5.2	5.2	5.2	5.2

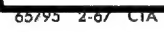
- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
b. Price levels just prior to and two months after the 18 June devaluation.
c. Preliminary.

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Saigon, Free Market Gold and Currency Prices



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